Impact of Proposed Medicaid Block Grants on Behavioral Health

Medicaid/CHIP Block Grant Proposals: The House-passed fiscal year (FY) 2013 budget proposal drafted by vice presidential nominee and Budget Committee Chairman Paul Ryan (R-WI) and legislation drafted by a number of tea party Republicans (State Health Flexibility Act-HR 4160) would combine federal funding to the states for Medicaid and Children’s Health Insurance Program (CHIP) into a single, capped block grant that allows states to design their programs. The House Budget proposal would cut Medicaid and CHIP funding in half, nearly $810 billion, by 2023. In exchange for the funding cut, states would have flexibility over eligibility, benefits and provider payments.

Behavioral Health Services for Adults Under Current Law: Most community mental health services are covered as a state option under Medicaid because federal law does not contain explicit provisions concerning the exact types of mental health services that must be provided to adults. As such, the range of mental health services covered for adults largely depends on decisions made by the state.

Behavioral Health Services for Children Under Current Law: Under the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) mandate, children on Medicaid are entitled to any federally authorized Medicaid service. All states must screen Medicaid-eligible children periodically, diagnose any conditions found through a screen and furnish appropriate, medically necessary treatment to “correct or ameliorate deficits and physical and mental illness and conditions discovered by the screening services.”

Currently all states cover:
- Therapy/counseling, almost always specifically stating this can be individual, group and family, and often referring to multi-family groups or co-joint therapy. Some states are also referencing functional family therapy.
- Medication administration and management assessments;
- Evaluations, tests and treatment planning; and
- Emergency care, either through specific mental health crisis services or through emergency services in a hospital.

The other most commonly covered services include:

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<thead>
<tr>
<th>Clinical Service</th>
<th>For Adults</th>
<th>For Children</th>
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<tbody>
<tr>
<td>Crisis intervention</td>
<td>49 states</td>
<td>50 states</td>
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<tr>
<td>Mobile crisis 24/7</td>
<td>19 states</td>
<td>22 states</td>
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<tr>
<td>Crisis stabilization</td>
<td>34 states</td>
<td>32 states</td>
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<tr>
<td>Partial hospitalization</td>
<td>30 states</td>
<td>25 states</td>
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<tr>
<td>Day treatment for mental health</td>
<td>31 states</td>
<td>40 states</td>
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Behavioral Health Services for Adults and Children Under a Block Grant: A Medicaid block grant would cap federal spending for Medicaid, making the States responsible for all costs exceeding the block-grant amount. The House-passed block grant proposal would set the federal amount based in large part on a state’s current level of spending. States with relatively low current levels of expenditure would receive smaller block grants. As states face this capped financial reality with more program flexibility, optional services such as behavioral health could be pared down with some limitations due to EPSDT and mental health parity as discussed below. For instance, most community mental health services for adults are covered under a State option. Therefore, eliminating the benefit for adults and CHIP population in a block grant scenario might also be an option. Lobbying fights would ensue in state capitols between patient advocates, physicians, hospitals, home health agencies and nursing homes vying for the smaller pool of Medicaid funding.

EPSDT Program Under a Block Grant: EPSDT program benefits are required for all Medicaid-covered children up to age 21 (but not for children in the CHIP program). EPSDT requires screening services to detect physical and mental conditions at established,
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periodic intervals (periodic screens) and whenever a problem is suspected. Services to address conditions identified through screenings are mandatory as well. Under a block grant, these services may continue to be mandatory.

**Mental Health Parity Under a Block Grant:** Yet another factor in play is the mental health parity legislation. It is unlikely that Medicaid block grant legislation would repeal or alter the parity laws. Medicaid managed care plans are covered by parity requirements but CMS has not issued these regulations yet. The Affordable Care Act (ACA) extended parity in treatment limitations and financial requirements (cost-sharing) to Medicaid coverage of the expansion population not covered by managed care plans\(^1\). The parity requirements with respect to treatment limitations should push states in the direction of covering more generous behavioral health benefits, even under a Medicaid block grant. However, parity only applies if the state covers the benefit.

If a State covers behavioral health benefits and complies with parity, and if the block grant eliminates requirements for benefits to be the same with respect to amount, duration and scope, one of the few points of flexibility would be covered populations. Therefore, a state could require managed care plans to provide behavioral health services to their enrollees, but allow the highest cost populations (i.e. SMI or dually diagnosed I/DD) to remain in fee-for-service Medicaid without behavioral health services.

**Non-Physician Provider Services Under a Block Grant:** Under the current Medicaid program, coverage of behavioral health services in the context of physician services provided by psychiatrists is mandatory. However, behavioral health services provided by other licensed practitioners, including psychologists and Advanced Registered Nurse Practitioners, are optional. Under a block grant, states may use their flexibility to eliminate coverage for non-physician providers, which could limit managed care options and unnecessarily steer individuals to higher cost services or unnecessary levels of care.

**Provider Payments Under a Block Grant:** States already have significant control over reimbursement rates for providers. During the current state budget crisis, nearly all states have used this flexibility to scale back their Medicaid programs, particularly in provider reimbursements\(^2\). However, it would be impossible to reduce Medicaid and CHIP spending by half, as in the House-passed budget, without payment reductions to the providers and managed care plans. These further reductions could cause some providers and plans to withdraw from Medicaid, which would increase demand upon participating providers and safety-net providers such as Federally-Qualified Health Centers and hospital

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emergency rooms. Reductions would threaten beneficiaries’ access to needed care, particularly in underserved communities.

**Impact of Block Grant on Institutions of Mental Diseases Exclusion:** Federal law prohibits Medicaid reimbursement for beneficiaries between ages 21-65 who reside in an institution for mental diseases (IMD), even for treatment unrelated to mental illness. This prohibition is commonly referred to as the IMD Exclusion. However, Medicaid will pay for community mental health care services. Under a block grant, states could use the Medicaid funds for inpatient hospitalization of the seriously mentally ill and/or and community services. Because States have created an intricate system to balance IMD Exclusion services with community-based services, a block grant could endanger these vulnerable populations.